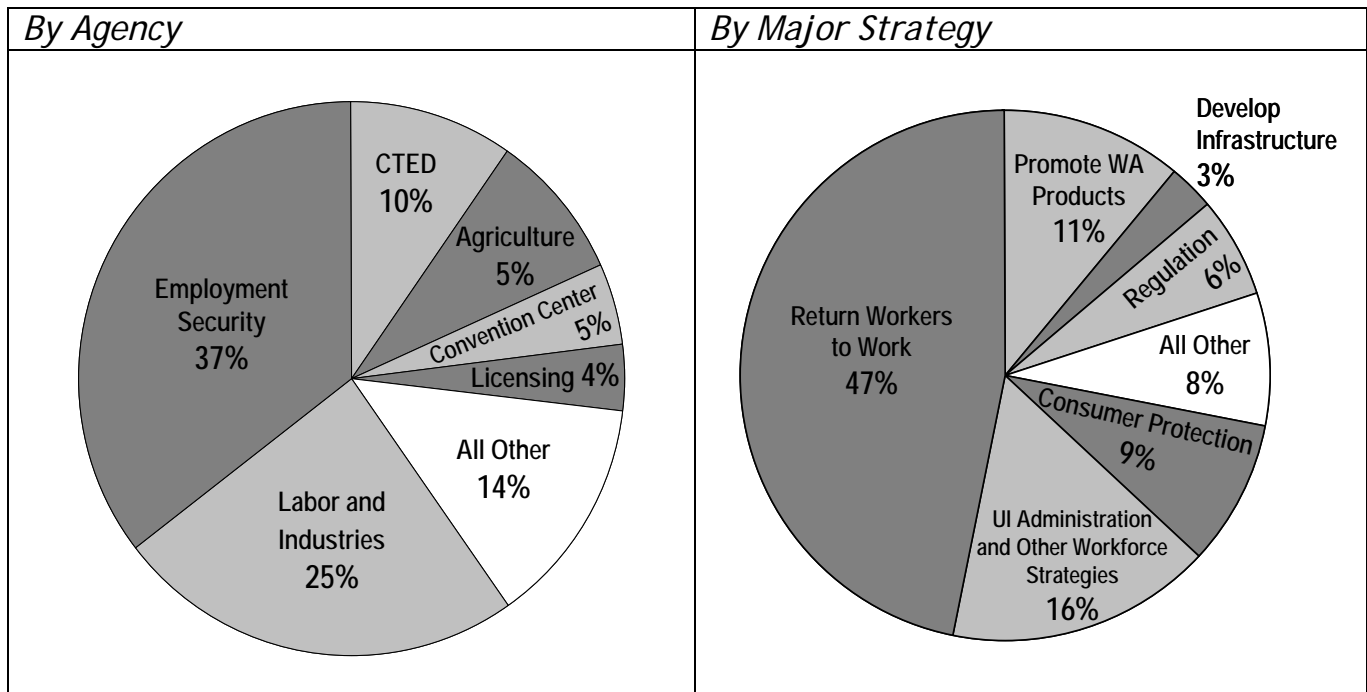


GMAP Fiscal Report

Economic Vitality

Biennial Operating Budget = \$1.455 billion All Funds
\$91.5 million GFS

(Fund Sources: federal, medical aid/accident, dedicated funds, 6% GFS)



Current Fiscal Status (Major Agencies)

July 2005 - February 2007 Expenditures

Dollars in Thousands

	Estimates-to-date	Actuals-to-date	Current Variance under/(over)	Prior Report
Employment Security Department	499,956	376,660	→24.7%	→20.0%
Community, Trade, and Economic Development	422,653	373,787	→11.6%	→11.8%
Department of Revenue	163,018	155,454	4.6%	4.3%
Labor and Industries	445,800	427,095	4.2%	3.5%
Department of Agriculture	89,104	91,303	(2.5%)	1.7%

Please note: Pie charts above are based on agency budget allocation to statewide strategies, where agencies may be split between more than one strategy area (e.g. Economic Vitality, Mobility, Government Efficiency, etc.). However current fiscal status is based on the full agency total, since we do not account by activity.

GMAP Fiscal Report

Economic Vitality

Current Fiscal Status (Selected Program Detail)

July 2005 - February 2007 Expenditures

Dollars in Thousands

	Estimates- to-date	Actuals- to-date	% Variance under/(over)	Prior Report
Employment Security Department				
FTE Staff	2,196.8	1,889.5	14.0%	13.8%
Clearing (federal funds)	0	\$(39)	NA	NA
Employment Services	\$105,416	\$67,936	→35.6%	→29.7%
Unemployment Insurance	157,777	138,929	→12.0%	10.3%
State Programs	10,500	10,444	.5%	(7.0)%
Workforce Investment Act	2266,262	159,389	→29.6%	→23.8%
Agency Total	\$499,956	\$376,660	24.7%	20.0%
Community, Trade, and Economic Development				
FTE Staff	350.4	335.5	4.3%	6.1%
Administrative Services	\$12,097	\$11,737	3.0%	5.7%
WorkFirst	0	776	NA	NA
International Trade	4,514	4,406	2.4%	.2%
Community Services	151,556	136,098	→10.2%	→11.0%
Housing Services	89,481	69,664	→22.2%	→23.2%
State Building Code Council	822	602	→26.8%	→31.6%
Energy Policy	4,820	2,735	→43.3%	→45.7%
Energy Facilities Site Evaluation Council	6,440	5,617	→12.8%	→20.6%
Local Government Assistance	123,617	115,869	6.3%	3.1%
Economic Development	29,305	26,282	→10.3%	→15.5%
Agency Total	\$422,653	\$373,787	→11.6%	→11.8%
Department of Revenue				
FTE Staff	1,073.2	1,055.0	1.7%	1.3%
Tax Administration Services	\$75,258	\$68,269	9.3%	8.8%
Tax Analysis and Interpretation	71,056	70,916	.2%	(.4)%
Management Services	16,705	16,268	2.6%	4.2%
Agency Total	\$163,018	\$155,454	4.6%	4.3%
Labor and Industries				
FTE Staff	2,644.4	2,669.3	(.9)%	(1.0)%
Management Services	\$36,922	\$35,480	4.2%	1.1%
Insurance Services	210,004	203,345	3.2%	3.4%
Information Services	35,506	33,348	6.1%	5.1%
WISHA Services	76,754	73,196	4.6%	3.1%
Specialty Compliance Services	54,892	53,931	1.8%	1.8%
Crime Victims Compensation	31,722	27,795	→12.4%	9.4%
Agency Total	445,800	427,095	4.2%	3.5%
Department of Agriculture				
FTE Staff	678.0	703.9	(3.8)%	(1.8)%
Agency Operations	\$7,763	\$7,783	(.3)%	(6.4)%

GMAP Fiscal Report

Economic Vitality

	Estimates- to-date	Actuals- to-date	% Variance under/(over)	Prior Report
Commodity Inspection	30,741	31,698	(3.1)%	(4.2)%
Food Safety, Animal Health	15,095	15,085	.1%	(.4)%
Plant Protection	16,339	15,981	2.2%	(3.5)%
Market Development	8,684	10,446	→(20.3)%	1.7%
Pesticide Management	10,483	10,311	1.7%	5.7%
Agency Total	89,104	91,303	(2.5)%	(1.7)%

Key Fiscal Issues

Employment Security Department

Governor's 2007 Supplemental Budget

\$129,000 in Other Funds for increased billings from the Office of Administrative Hearings.

Expenditure Trends

Agency-wide actuals-to-date are lower than expected primarily because of Employment Services and Workforce Investment Act under-expenditures.

Employment Services Program under-expenditure of 35.6 percent:

The under-expenditures are associated with the Trade Act (TAA) program. The TAA funds can be expended only on workers who have been certified as trade-affected by the U.S. Department of Labor. The factors used by the Department of Labor in determining TAA allocations include previous year allocations, accrued expenditures, and participant levels. Participant levels are dependent on the number of workers certified under the program. This year's level of participation will range from 800 to 1,000 participants. Currently we are under-spending TAA funds because this number of participants is significantly lower than that in prior years. Unspent TAA funds are carried forward and can be spent up to three years from the time the allocation was awarded.

Unemployment Insurance Program under-expenditure of 12 percent:

Unemployment Insurance (UI) expenditures are under budget because the current allocations were established on previous fiscal periods' baselines. Actual UI administrative grants received are lower than previous grants. To accommodate declining UI funds, in Federal Fiscal Year 2005, the department closed the Pierce County TeleCenter (one of the three main service delivery points for claims processing) and closed two tax office locations (South Seattle and Olympia - consolidating with Tacoma). The department continues to take steps to reduce ongoing costs for direct and indirect staffing and infrastructure such as implementing staff-saving technology initiatives. ESD recently put into place an automated system for collecting information from potential claimants over the phone before they speak to a claims agent - thus reducing staff workload and shortening the talk time of these calls.

Workforce Investment Act Program under-expenditure of 29.6 percent:

As in previous quarters, part of the under expenditure is associated with Dislocated Worker funds set aside at the state level for help with local layoff or closure events. The state has begun releasing a portion of these funds to mitigate reduction in local allocations to dislocated workers. As the economy recovers, layoffs have diminished, but continue to exceed local fund availability. As new layoffs are announced, local communities determine what funds will be needed and look for resources to provide these laid-off workers assistance to return to work.

GMAP Fiscal Report

Economic Vitality

Due to the general economic recovery, a few Workforce Development Areas have transferred Dislocated Worker funding to their Adult Program to assist more low-income and underemployed workers. It is expected that this shift will continue and result in an increase in program expenditures.

Department of Labor expenditure requirements (70% of all available funds) are being met. Any unspent funds are carried forward and can be spent in future program years, up to three years from the funding award.

Agency Action Plan

The agency continues to actively develop cost reduction and cost avoidance strategies to reduce and control agency expenses in the areas of facilities, equipment, and supplies.

Department of Community, Trade, and Economic Development

Governor's 2007 Supplemental Budget

- A total of \$653,000 General Fund-State and a decrease of \$197,000 in Other Funds is recommended for several small budgetary adjustments, including a State Parkinson's Disease Registry, increased funding for the Local Government Fiscal Notes unit, and rule development for I-937 regarding non-investor owned utilities need to report on energy conservation.

Expenditure Trends

CTED's operating budget is primarily implemented through contracts with service providers or grants to local entities. For the first fiscal year, contracts and grants comprised 89 percent of the operating budget. The remaining 11 percent represents staff-related costs. The timing of contractor billings and pass-through disbursements can be difficult to predict. The majority of CTED's under-expenditures occur when funds are committed through contracts but the actual disbursement of funds takes place in a different month or quarter than originally estimated. The operating budget variance has decreased from 16.4 percent through March to 14 percent through June to 11.8 percent through September and to 11.6 percent through December. We expect this downward trend to continue in coming quarters at this time. However, the department will be evaluating variances each month through the Financial Management Review (FMR) process, which may change slightly as we get closer to the end of the biennium.

Community Services has an under-expenditure of 10.2 percent: Most of the variance comes from grant reimbursements to low-income anti-poverty services. The planned expenditures are slower than anticipated. However, the expectation is that state funded grants will be fully disbursed by the end of the fiscal year. The federally supported grants will carry forward into the new biennium. Under-expenditures in administration costs are due to some vacancies. The expectation is to have positions filled by April.

Housing Services has an under-expenditure of more than 22.2 percent: Grant disbursements to local communities for housing programs are moving more slowly than originally planned. Of the \$19.8 million in under-expenditures, \$6.6 million is attributable to preservation projects to weatherize homes. These projects are supported primarily by federal dollars and private utility funds. Project schedules have been delayed because local contractors implementing this program have an abundance of work. Slower than anticipated spending has also occurred in Tenant Assistance grants, even though funds are committed. New programs providing federally supported Homeless Housing Assistance were slow to start up resulting in under-expenditures of about \$3.9 million. Housing Trust Fund resources totaling \$8.6 million are being expended slowly because of the slow start-up of new approaches to distributing operation and maintenance resources and delays in information technology projects.

GMAP Fiscal Report

Economic Vitality

State Building Code Council has an under-expenditure of 26.8 percent: The Council, funded by a dedicated account, will likely remain under-spent for the rest of the biennium because a staff vacancy is no longer expected to be fully filled. After a revenue and workload review, the decision was made to keep current staffing level at 4.5 FTEs rather than at 5 FTEs. The total council budget is \$982,000 and 5 FTEs for the biennium.

Energy Policy has an under-expenditure of nearly 43.3 percent: The Energy Policy Division funds energy-related projects performed by Washington State University using Federal funding. Federal resources funded fewer projects than originally anticipated. The Division is managing within the federal revenue available.

Energy Facilities Site Evaluation Council is under-spent by 12.8 percent: Planned expenditures for an environmental mitigation project involving land purchases have been delayed. In addition, some siting activity has been delayed by the applicants. Compliance monitoring activities are less than anticipated due to changes in scheduled work by permitted energy facilities. Other expenditures are aligned with original projections.

Economic Development is under-spent by 10.3 percent: Reimbursement requests were slower than usual during the first part of the fiscal year, but they have now begun to accelerate. We expect this to continue through the fiscal year. The Tourism Ad production was slow to start, but will be catching up by the end of March 2007. Several vacancies that were scheduled to be filled in July have been filled.

Agency Action Plan

The agency, in partnership with OFM and the Department of Ecology, is pursuing an enterprise-wide contract, grant and loan management system. Information in this system will help make better cash disbursement projections and will track contract and grant dollars as contracts are signed and funds obligated. In the short-term, the agency is implementing monthly financial management review (FMR) sessions to review variances and come up with solutions for reducing them. Agency budget and accounting staff along with division personnel participate in these FMR sessions.

Department of Revenue

Governor's 2007 Supplemental Budget

The agency has requested a very small adjustment to Other Funds.

Expenditure Trends

Overall the agency is under-spent by just 4.6 percent.

Agency Action Plan

None needed at this time.

Department of Labor and Industries

Governor's 2007 Supplemental Budget

- \$437,000 in Other Funds for small adjustments to existing programs.

Expenditure Trends

At the agency-wide level, spending is 4.2 percent below estimates.

Crime Victims Compensation is under-spent by 12.4 percent: In the 2003-05 Biennium, the Crime Victims program medical fee schedule was lowered in order to keep expenditures within appropriation levels. As a result, many medical providers stopped treating victims of crime because the reimbursement did not compensate them enough to cover their expenses. While

GMAP Fiscal Report

Economic Vitality

we expected some utilization decrease, we did not expect it to drop so dramatically. The fee schedule for mental health services was returned to the original rates last year, so the utilization is increasing slightly. However, it will probably take another year before utilization climbs back up to its former levels for mental health services.

Agency Action Plan

None needed at this time.

Department of Agriculture

Governor's 2007 Supplemental Budget

- \$500,000 General Fund-State for implementation of the next phase of the Wine Commission marketing campaign.

Expenditure Trends

Overall agency spending is 2.5 percent overspent: Because most of the department's funding is either biennial appropriation, or non-appropriated, there is no problem with this small over-expenditure at this point in time.

Market Development is over-spent by 20.3 percent: The over-expenditure in Market Development is due to a timing difference between allotments and expenditures. Grant expenditures totaling \$2 million for the fairs program posted in February, the allotments will post in March. When March reports run, the variance will be eliminated.

Agency Action Plan

None needed at this time.